

# New China Equity Model Captures New Reality of the Chinese Market

## MSCI Launches Barra China Equity Model (CNE5)

**Beijing – July 16, 2012** – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, announced today the launch of the Barra China Equity Model (CNE5), which captures the short and long term dynamics of the Chinese local market and includes the latest advances in risk methodology, giving institutional investors the ability to align the risk model with their investment processes.

Developed in consultation with our clients, this significantly enhanced model captures the new reality of the Chinese equity markets particularly the richness of the market factor structure, and provides more explanatory power than its predecessor.

Zhen Liu, Managing Director, E Fund Management Co., LTD., an MSCI client, said, “The Barra China Equity Model CNE5 is a major improvement over its predecessor, CHE2, with better industry classifications, new China-specific factor set, and much updated modeling methodology as used in the Barra US Equity Model USE4.”

“Here at E Fund, we use Barra CHE2 as an integral part of our core quantitative investment platform, from portfolio optimization, risk management and hedging, to performance attribution. Even with a brief preview of the new Barra CNE5 model, we believe it can give us a better ex-ante estimate and control of the industry and factor exposures and risks, and help us to explore new frontiers in quantitative portfolio management in China.”

One of the key features of Barra CNE5 is the introduction of a daily forecast horizon model. The CNE5 Daily Model is particularly suitable for portfolio managers that trade and rebalance their portfolios frequently to capture short term market dislocations. The Daily Model provides portfolio managers with a better understanding of their sources of risk and return in the short run, and the ability to analyze how their factor tilts affect their portfolio risk and performance. This model leverages the innovations of the Barra methodology, the Volatility Regime Adjustment (with daily cross-sectional volatility adjustments), which makes the model more responsive to market shocks. This methodology was launched in 2011 and first introduced in the Barra US Equity Model, USE4.

“Barra CNE5 marks the beginning of a new class of equity models, the daily horizon model,” said Peter Zangari, Managing Director of Equity Portfolio Management Analytics at MSCI. “This is yet a continuation of MSCI’s model developments designed to improve the accuracy and stability of risk forecasts. We understand what our clients’ needs are, what’s happening in the marketplace and we continue to build next-generation models – and innovate.”

For more information on the new Barra China Equity Model (CNE5) please visit our site for more information: [BARRA CNE5](http://BARRA.CNE5)

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## About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indices with approximately USD 7 trillion estimated to be benchmarked to them on a worldwide basis<sup>1</sup>; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; ISS governance research and outsourced proxy voting and reporting services; FEA valuation models and risk management software for the energy and commodities markets; and CFRA forensic accounting risk research, legal/regulatory risk assessment, and due-diligence. MSCI is headquartered in New York, with research and commercial offices around the world.

<sup>1</sup>As of June 30, 2011, based on eVestment, Lipper and Bloomberg data.

**For further information on MSCI, please visit our web site at [www.msci.com](http://www.msci.com)**

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